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SUBJECT: G-8 BUSINESS SUMMIT CALLS FOR STRONG CLIMATE
CHANGE POLICIES

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11. (SBU) Summary. The 2008 G-8 Business Summit featured a lively debate over climate change and a challenge to business to take a lead in finding technological solutions to the situation. Although the U.S. delegation came under strong European pressure for firm numerical emission targets in the Summit's joint statement, the final text includes only a reference to "meaningful emission reductions while assuring economic growth." Delegations agreed on the importance of technological innovation in dealing with climate change and called on governments to increase R&D spending and promote adequate education for all citizens. Participants also discussed IPR, steps underway in the Transatlantic Economic Council to remove/prevent regulatory barriers, and commended progress on Asian regional economic integration, stressing this integration must be "inclusive, not exclusive." The heads of the G-8 business organizations presented the recommendations to Japan's Prime Minister for consideration at July's G-8 Toyako summit. The statement's full text is available at <http://www.keidanren.or.jp/english/policy/2008/020.pdf>. End Summary

12. (SBU) The Second G-8 Business Summit, hosted by the Japan Business Federation (Keidanren) took place April 17 in Tokyo. Japanese Prime Minister Fukuda opened the day-long meeting with a call to business to take a "dynamic perspective" to current economic and global challenges and join with governments in promoting a "low-carbon revolution" in the global economy. Fukuda's speech foreshadowed much of the

rest of the day's deliberations, which focused on the structure for a post-Kyoto framework to address climate change and business' role in finding long-term solutions. There were then three panel discussions: Enhancing Competitiveness through Innovation; Tackling Climate Change: a post-2012 International Framework; and Partnership with Asia as a Center of Growth.

Lively Debate on Emissions Targets

13. (SBU) Central to the day's discussion was debate over an international post-2012 climate change framework. Participants agreed this year's G-8 will be critical for reaching consensus on a successor regime to the Kyoto Protocol and that any post-Kyoto framework must include emission reduction commitments from all major emitters, including developing countries. Panelists welcomed Japan's proposal for a sectoral approach to emission targets as a creative way forward. Panel moderator Bjorn Stigler of the World Business Council for Sustainable Development urged participants to find "a realistic consensus" on what recommendations to make to G-8 leaders or else "the private sector will have to accept whatever our political leaders decide."

14. (SBU) While agreeing on the problem's urgency and the contribution of technology to an effective response, there was disagreement on specific measures to include in the recommendations to national leaders. French Business Federation President Laurence Parisot described climate change as a "matter of civilization" and said French business supports the EU goal of cutting carbon emissions 20% by 2020.

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She regretted the Summit's draft joint statement was "not as firm as we expected" on specific emission reduction targets. Such targets, Parisot asserted, are compatible with economic growth, if growth is "green oriented."

15. (SBU) The U.S. Chamber of Commerce Chairman, Paul Speranza, stressed four key concepts in any climate change response: recognition of the urgency of the problem, the role of technology in finding a solution, the importance of international cooperation, and a need for a G-8 "Call to Action" similar to President Kennedy's 1961 space program challenge. Italian Presidential Advisor Vincenzo Partone, representing the Confederation of Italian Industry, hoped G-8 leaders will issue a "clear and sincere" climate change statement at Toyako that recognizes while steps to address climate change will likely be unpopular and even costly, they are necessary. Canadian Chamber of Commerce Chairman John Peller said his country has been slow to recognize the problem's seriousness, but has adopted a range of measures, including cap-and-trade and carbon taxes. Peller also said the issue is likely to figure prominently in this year's national election.

16. (SBU) During the open discussion following the climate panel presentations, the U.S. delegation came under strong pressure from French, British and German delegates, as well as the President of BusinessEurope, to agree to include a recommendation for specific numerical emissions targets in the final joint statement. Juergen Thumann of the Federation of German Industries (BDI), host of the last year's inaugural G-8 Business, noted EU members have agreed to specific targets, which were needed to provide incentives to politicians to adopt strong policies and for business to develop the technology needed to solve the climate problem. Keidanren Vice Chairman Akio Mimura was cautious, noting countries should agree on a framework before deciding on specific targets and insisted that whatever targets were eventually decided, the initial benchmark must be "equitable." Patrone urged realism in setting targets, noting EU members had made a firm commitment to a strategy for achieving its targets and an acceptance of the costs.

Such a pre-requisite did not yet exist among a broader set of countries.

Innovation Key to Growth, Tackling Climate Change

17. (SBU) Climate change was also a subtext for much of the discussion on innovation and technological change. Keidanren Vice Chairman Sadayuki Sakakibara challenged his G-8 colleagues to build a basis for innovation by working with their individual governments to promote increased R&D spending and adequate education for all citizens. He reiterated business's role is to ensure links between the market and the technology that emerges from scientific research; only in that way can it be sustainable. The BDI Chairman echoed the call for greater attention to education as an incubator of innovation. He also described the German government's efforts to cooperate with business to draft and implement a national high tech strategy designed to boost innovation in key industrial sectors.

18. (SBU) Confederation of British Industry President Martin Broughton highlighted a similar effort by HMG to advance

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research and innovation through, among other steps, establishing a Ministry of Innovation, Universities, and Science. He also called for harmonizing intellectual property rights (IPR) rules and urged the U.S. to follow most other countries in adopting a "first-to-file" patent application system. Harold McGraw, President of the U.S. Business Roundtable noted it was important to maintain high standards for IPR protection when negotiating free trade agreements to provide incentives for better IPR protection in developing countries. All panelists noted the critical importance of effectively enforcing IPR rules if business is to develop and to market the technology needed to address climate change.

Asia as an Economic Growth Center

19. (SBU) All participants commended Asia's accelerating economic integration over the past decade and agreed it provided both opportunities and challenges for G-8 members. According to Keidanren Vice Chairman Hiromasa Yonekura, Japan facing slow growth and a declining population had made an explicit decision to link its economy more closely to the fast growing economies in the region. Prime Minister Fukuda has a strong personal interest in regional integration since his father, former PM Takeo Fukuda, had made closer partnership with developing Asian economies a pillar of his foreign policy in the late 1970's. BusinessEurope Chair Ernest-Antoine Seilliere observed long-term accumulation of knowledge in the Asia-Pacific region carries enormous potential for future growth. U.S. Council for International Business board member Charles Heeter observed APEC is the best vehicle for greater regional integration as it could best ensure that integration be inclusive of economies outside East Asia proper.

Joint Statement Delivered to Prime Minister Fukuda

110. (SBU) After the conference, panel speakers led by Summit chairman Fujio Mitarai, head of Keidanren, presented the Joint Statement to PM Fukuda and urged him to take up its recommendations with fellow leaders at July's Toyako Summit. In the end, the joint statement did not include specific numerical emissions targets, but merely called for "meaningful emission reductions while assuring economic growth." The statement urged emissions reductions be based on "sound science, national circumstances and sectoral and transparent, measurable and verifiable methodologies." The G-8 leaders, it said, should adopt "policies to stimulate dissemination of low-carbon technology, bilateral and

financial mechanisms that support developing countries to limit greenhouse gas emissions, and protection of intellectual property rights in order to accelerate development of new technology." On other issues, the statement called on G-8 Leaders to cooperate more closely to stabilize the world economy and monitor foreign exchange markets to prevent excessive volatility; to begin formal negotiations on an Anti-counterfeiting Trade Agreement; to remove trade barriers to environmental goods and services; and to accelerate efforts to conclude the Doha Development Round by the end of 2008.

SCHIEFFER